

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

020000-PW

In re:) Chapter 11
STAR Telecommunications, Inc.,)
Debtor.) Case No. 01-0830 (MFW)

Objection Deadline: March 1, 2001 at 4:00 p.m.
Hearing Date: March 5, 2002 at 4:00 p.m.

**NOTICE OF JOINT MOTION OF DEBTOR AND ITS OFFICIAL COMMITTEE OF
UNSECURED CREDITORS PURSUANT TO 11 U.S.C. § 105(a) AND FED. R. BANKR. P. 9019
FOR COURT APPROVAL OF SETTLEMENT AGREEMENT BY AND AMONG DEBTOR,
ITS OFFICIAL COMMITTEE OF UNSECURED CREDITORS, PT-1 COMMUNICATIONS, INC.
AND ITS DEBTOR AFFILIATES, THEIR OFFICIAL COMMITTEE OF UNSECURED CREDITORS,
AND MCI WORLDCOM NETWORK SERVICES, INC.**

STAR Telecommunications, Inc. (the "Debtor"), as debtor and debtor in possession, and its Official Committee of Unsecured Creditors (the "STAR Committee") have filed the *Joint Motion of Debtor and its Official Committee of Unsecured Creditors Pursuant to 11 U.S.C. § 105(a) and Fed. R. Bankr. Pro. 9019 for Court Approval of Settlement Agreement By and Among Debtor, Its Official Committee of Unsecured Creditors, PT-1 Communications, Inc. and Its Debtor Affiliates, Their Official Committee of Unsecured Creditors, and MCI WorldCom Network Services, Inc.* (the "Motion") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801 (the "Bankruptcy Court"), seeking Court approval of a global settlement agreement ("Global Settlement Agreement"), as such agreement relates to the Debtor and/or the STAR Committee, that provides, among other things, for certain releases and waivers by and among the parties.

The Global Settlement Agreement contemplates the sale of substantially all of the assets of PT-1 Communications, Inc., PT-1 Long Distance, Inc., and PT-1 Technologies, Inc. (collectively, "PT-1") to MCI WorldCom Network Services, Inc. ("WorldCom"). The underlying purchase agreement by and between PT-1 and WorldCom is conditioned upon certain releases and waivers that are more fully set forth in the Global Settlement Agreement. The following is a summary of the provisions of the Global Settlement Agreement:

- a. PT-1 and its Official Committee of Unsecured Creditors (the "PT-1 Committee") shall waive and release any and all claims that PT-1 may have against WorldCom and its related entities, as such claims relate to the PT-1 Chapter 11 Cases (the chapter 11 cases of each of the PT-1 entities currently pending in the United States Bankruptcy Court for the Eastern District of New York), but specifically excluding WorldCom's obligations under the Global Settlement Agreement (the "PT-1 Release");
- b. WorldCom shall waive and release any and all claims, liens and security interests it may have against PT-1, the PT-1 Committee, the Debtor, the STAR Committee (including an alleged secured claim against STAR in the amount of approximately \$97 million) and their respective related entities as they relate to the WorldCom Claim¹, and the bankruptcy cases of PT-1 and the Debtor and all prepetition activity, but specifically excluding any claims for the provision of post-petition telecommunications services and related charges to PT-1 or the Debtor, and the obligations of PT-1 and the Debtor under the Global Settlement Agreement (the "WorldCom Release");
- c. The Debtor and the STAR Committee shall waive any and all claims they may have against WorldCom and its related entities, as they relate to the bankruptcy cases of the Debtor or PT-1, but specifically excluding WorldCom's obligations under the Global Settlement Agreement and any claims or defenses for the provision of post-petition telecommunications services and related charges due to or due from WorldCom (the "STAR Release");

¹ The WorldCom Claim is defined as all of WorldCom's claims against PT-1 excluding WorldCom's secured claim of \$106,373,824.42 against PT-1. The transaction contemplates a credit bid of WorldCom's secured claim against PT-1.

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- d. PT-1, the PT-1 Committee, the Debtor and the STAR Committee acknowledge and agree that (i) no other proofs of claim shall be filed by such parties in the PT-1 Chapter 11 Cases or the STAR Chapter 11 Case (the above-captioned chapter 11 case) with respect to claims, known or unknown, whenever arising, regardless of whether a proof of claim could have been filed; (ii) the STAR Proof of Claim (the proof of claim filed by STAR in the PT-1 Chapter 11 Cases in the amount of \$130,840,054) and the PT-1 Proof of Claim (the proof of claim filed by PT-1 in the STAR Chapter 11 Case in the amount of \$50,000,000) are unliquidated, contingent and uncertain as to allowance and any anticipated distribution thereon is believed to be *de minimis*; and (iii) at closing of the sale of substantially all of PT-1's assets to WorldCom or another higher bidder (the "PT-1 Sale"), PT-1 and STAR shall irrevocably waive distribution in the STAR Chapter 11 Case and the PT-1 Chapter 11 Cases, respectively;
- e. PT-1 and the PT-1 Committee shall waive any right to any recovery from the Debtor's director and officer insurance policies, and, notwithstanding the foregoing, such waiver shall not impair the claim of any party insured under such policies for defense costs from the policy, and each of PT-1, the PT-1 Committee, the Debtor and the STAR Committee shall share information with each other with respect to any lawsuit initiated by PT-1, the PT-1 Committee, the Debtor or the STAR Committee against any former officers and directors of the Debtor or PT-1;
- f. Each of PT-1 and the Debtor recognize the consideration each shall be receiving under the Global Settlement Agreement by virtue of the WorldCom Release and the effect thereof in the PT-1 Chapter 11 Cases and the STAR Chapter 11 Case;
- g. WorldCom, PT-1 and the PT-1 Committee shall waive and release from any and all claims, demands, allegations and/or causes of action, if any, each may have against Gordon Hutchins ("Hutchins") and Mary Casey ("Casey"), or both of them, from any and all claims, except for telecommunications services provided to Hutchins or Casey (Hutchins and Casey are current board members of STAR and have been serving as board members since prior to the Petition Date; Hutchins became an officer of STAR immediately prior to the Petition Date and is currently STAR's Acting Chief Executive Officer; Casey was an officer of STAR prior to the Petition Date but resigned in January 2001; thereafter, Casey resumed employment with STAR immediately prior to the Petition Date and resigned on December 31, 2001; Casey continues to assist STAR's wind-up efforts on a consultant basis);
- h. Notwithstanding any of the foregoing releases and waivers, the obligations of PT-1 under the STAR Agreement (as defined in the Global Settlement Agreement at section 2.a) and PT-1's post-petition obligations to the Debtor, and the obligations of WorldCom upon assuming the STAR Agreement, shall not be affected by the Global Settlement Agreement or any contracts or orders effectuating the Global Settlement Agreement, unless consented to in a separate writing by the Debtor;
- i. WorldCom (and any entity it may designate to purchase PT-1's assets), PT-1, the PT-1 Committee, STAR, and the STAR Committee shall each release the existing management team of PT-1 composed of Bryan L. Engle, Tamie Barsky and Adam Kolodny, effective as of the closing of the PT-1 Sale, from all liabilities, claims, damages or causes of action, if any, related to (a) their respective employment by Asset Recovery Services, Inc. ("ARSI") in relation to ARSI's prepetition review of PT-1's and STAR's operations and financials and (b) their respective employment by PT-1, except for acts of gross negligence, willful misconduct or fraud;
- j. PT-1, STAR and WorldCom shall each release the individual members of the PT-1 Committee and the STAR Committee, effective as of the closing of the PT-1 Sale, from all liabilities, claims, damages or causes of action, if any, related to their serving as members of the PT-1 Committee and the STAR Committee, respectively, except for acts of gross negligence, willful misconduct or fraud; and
- k. WorldCom represents and warrants that it has not assigned its claims against STAR or PT-1 to any third party, and agrees to indemnify and hold STAR and/or PT-1, as the case may be, harmless from any and all

claims, demands, allegations and/or causes of action, if any, which arise out of WorldCom's breach of this representation and warranty.

The above is only a summary of the provisions of the Global Settlement Agreement that relate to STAR and/or the STAR Committee. All parties in interest should read the Global Settlement Agreement and the Motion in their entirety. Copies of the Global Settlement Agreement and the Motion are available from the undersigned counsel upon request.

The Debtor and the STAR Committee believe that Court approval of the Global Settlement Agreement as it relates to the Debtor and/or the STAR Committee is in the best interest of the Debtor's estate.

Objections and other responses to the relief requested in the Motion, if any, must be in writing and be filed with the Bankruptcy Court no later than 4:00 p.m. Eastern Time on **March 1, 2002**. Any objections or other responses to the Motion, if any, must also be served so that they are received not later than **March 1, 2002** at 4:00 p.m. Eastern Time, by (i) counsel for the Debtor, David W. Carickhoff, Jr., Esquire, Pachulski, Stang, Ziehl, Young & Jones P.C., 919 North Market Street, Suite 1600, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801) (fax number 302-652-4400) and James I. Stang, Esquire, Pachulski, Stang, Ziehl, Young & Jones P.C., 10100 Santa Monica Blvd., 11th Floor, Los Angeles, CA 90067-4100 (fax number 310-201-0760); and (ii) counsel to the STAR Committee, Daniel A. Lowenthal, III, Esquire, Pillsbury Winthrop LLP, One Battery Park Plaza, New York, NY 10004-1490 (fax number 212-858-1500) and Kevin Gross, Esquire, Rosenthal, Monhait, Gross and Goddess, P.A., Mellon Bank Center, 1401, P.O. Box 1070, Wilmington, DE 19899 (fax number 302-658-7567).

A HEARING ON THE MOTION WILL BE HELD BEFORE THE HONORABLE MARY F. WALRATH AT THE BANKRUPTCY COURT ON MARCH 5, 2002 AT 4:00 P.M. EASTERN TIME.

Dated: February 14, 2002

PACHULSKI, STANG, ZIEHL, YOUNG & JONES P.C.

/s/ David W. Carickhoff, Jr.

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